

BEFORE THE PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA

COLUMBIA, SOUTH CAROLINA

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10:30 A.M.

ALLOWABLE EX PARTE BRIEFING - DOCKET NO. 2012-55-E:

SOUTH CAROLINA ELECTRIC & GAS COMPANY - Annual Update on Demand-Side Management Programs and Petition for an Update to Rate Rider

TRANSCRIPT OF TESTIMONY
AND PROCEEDINGS

COMMISSIONERS PRESENT: John E. 'Butch' HOWARD, *CHAIRMAN*, David A. WRIGHT, *VICE CHAIRMAN*; and COMMISSIONERS Elizabeth B. 'Lib' FLEMING, G. O'Neal HAMILTON, Randy MITCHELL, Swain E. WHITFIELD, and Nikiya 'Nikki' HALL

ADVISOR TO COMMISSION: Rebecca Dulin, Esq.

STAFF: Joseph Melchers, General Counsel; F. David Butler, Senior Counsel; B. Randall Dong, Esq., and Josh Minges, Esq., Legal Staff; Phil Riley, Tom Ellison, and Lynn Ballentine, Advisory Staff; Jo Elizabeth M. Wheat, CVR-CM/M-GNSC, Court Reporter; and Deborah Easterling, Hope Adams, and Patty Shoultz, Hearing Room Assistants

APPEARANCES:

K. CHAD BURGESS, ESQUIRE, and **MATTHEW GISSENDANNER, ESQUIRE**, along with **KENNETH R. JACKSON** [Vice President/Rates and Regulatory Services] and **FELICIA R. HOWARD** [Director/Demand Side Management], representing SOUTH CAROLINA ELECTRIC & GAS COMPANY

JEFFREY M. NELSON, ESQUIRE, representing THE OFFICE OF REGULATORY STAFF

PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA

I N D E X

	PAGE
<u>OPENING STATEMENT BY MR. BURGESS</u>	3
<u>PRESENTATION:</u>	
<i>Ms. Howard</i>	4
<i>Mr. Jackson</i>	36
Question(s)/Comment by Vice Chairman Wright.....	46
Question(s)/Comment by Commissioner Hamilton.....	50
Question(s)/Comment by Commissioner Mitchell.....	54
Question(s)/Comment by Commissioner Whitfield.....	60
Question(s)/Comment by Commissioner Hall.....	67
Question(s)/Comment by Commissioner Fleming.....	72
Question(s)/Comment by Commissioner Whitfield.....	86
Question(s)/Comment by Chairman Howard.....	87
<u>REPORTER'S CERTIFICATE</u>	93

Please note the following inclusions/attachments to the record:

- PowerPoint presentation (PDF)
- Petition, including exhibits, in Docket 2012-55-E

P R O C E E D I N G S

CHAIRMAN HOWARD: Please be seated. Good morning. We'll call this meeting to order and I'll ask Attorney Dulin to read the docket.

MS. DULIN: Thank you, Mr. Chairman and Commissioners. We are here today pursuant to a request for an allowable ex parte briefing that was filed by South Carolina Electric & Gas Company, to be held today, March 15th, at 10:30 a.m., here in the Commission's meeting room.

The subject matter to be discussed at the briefing is: South Carolina Electric & Gas Company's annual update on demand-side management programs, and petition for update to the DSM rider.

Thank you, Mr. Chairman.

CHAIRMAN HOWARD: Thank you. And who represents the Petitioner?

MR. BURGESS: Good morning, Mr. Chairman, Mr. Vice Chairman, and members of the Commission. I'm Chad Burgess and I represent South Carolina Electric & Gas. It's our pleasure to be before you today and to make this presentation related to our DSM programs and the happenings that have occurred over the past 12 months since we were last here.

Briefly, I want to introduce to you our two

1 panelists: Felicia Howard, she is the director of
2 our demand-side management programs, and she has
3 got about 40 slides she's going to walk you
4 through, which provide you with a synopsis of what
5 has happened over the last 12 months and then give
6 you a little peek ahead as to what's going to
7 happen in Program Year 2. Then, Kenny Jackson,
8 he's our vice president of Rates and Regulatory
9 Services. And Mr. Jackson is going to walk you
10 through the DSM rider and explain to you how the
11 rider is calculated, from our perspective.

12 So without further ado, I'll turn it over to
13 Ms. Howard and Mr. Jackson, and ask that they
14 deliver their presentation to you.

15 **CHAIRMAN HOWARD:** Ms. Howard, Mr. Jackson,
16 glad to have you with us. We're looking forward to
17 your presentation.

18 **FELICIA R. HOWARD [SCE&G]:** Thank you. Good
19 morning

20 [Reference: PowerPoint Slide 1]

21 Thank you for the opportunity to present to
22 you and update you on SCE&G's demand-side
23 management programs. As Chad said, I'm the
24 director of the Demand-Side Management group, and
25 was here last year. And you heard something about

1 -- a lot about our programs that were just getting
2 started at that time. We were just putting our
3 organization together. So quite a lot has happened
4 over the last, I guess, 11 months or so, since I
5 was here last. So I'll step you through that.

6 [Reference: PowerPoint Slide 2]

7 This morning, I hope to just kind of review
8 the DSM timeline and talk about our residential
9 programs and our commercial/industrial programs,
10 remind you about how the programs work and our
11 experience in Program Year 1, and then tell you a
12 little bit about what we have in store for Program
13 Year 2, talk about our DSM Advisory Group, and then
14 our evaluation-measurement-and-verification
15 efforts.

16 [Reference: PowerPoint Slide 3]

17 So kind of going back to the very beginning,
18 we applied for approval for our Demand-Side
19 Management Program. We came to you with a
20 portfolio of programs back in June of 2009. We
21 received approval for those programs and a
22 corresponding rate rider in July of 2010. We were
23 successful in getting our first programs up and
24 running, by a residential program and a commercial-
25 and-industrial prescriptive program, in October of

1 2010.

2 At the end of our program year -- which we
3 went back in for a filing to update our rider in
4 January of the following year, 2011 -- from that
5 point, from February through April of 2011, we were
6 able to get the remaining residential programs and
7 the C&I Custom Program up and running. So, in
8 total, we brought on ten programs in the space of
9 about six months.

10 And we had an ex parte briefing last year, in
11 April, end of April. And the end of our first
12 year, our first program year, is November 30, 2011.
13 So we're back before you in January with a filing
14 to update the rider again, based on the first
15 program year.

16 [Reference: PowerPoint Slide 4]

17 You might remember seeing this chart some time
18 ago when we were in the initial stages of
19 evaluating a portfolio of programs to offer to our
20 customers. We solicited a great deal of
21 residential customer feedback on the types of
22 programs that they thought would be beneficial to
23 them, and they cover the categories of rebates and
24 incentives, education, and in-home services. You
25 can see on the left-hand side the residential

1 programs that SCE&G currently offers and that they
2 cover those three categories pretty extensively.

3 [Reference: PowerPoint Slide 5]

4 I'll start in on the first program that you
5 saw on that list, and it's our Home Energy Reports
6 Program. When we made our initial filing, we
7 called that program Benchmarking. We felt like
8 Home Energy Reports was a little more self-
9 explanatory for customers, and so we -- and perhaps
10 a little more customer-friendly than the term
11 "benchmarking." But in general, this program
12 provides customers with insight into how their
13 electric usage compares with similarly situated
14 customers, and it also provides them with
15 recommendations on how to improve their energy
16 efficiency.

17 Our program is an opt-in program, so all of
18 the customers who are participating have elected to
19 participate in the program. They receive an
20 initial Home Energy Report based on their home's
21 profile, and it provides them with information on
22 how their household uses electricity.

23 From there, they receive monthly Home Energy
24 Reports, and that monthly report compares their
25 usage to a peer group. It also gives them

1 customized recommendations based on the information
2 they have shared with us about their household, as
3 well as general energy saving tips and ideas.

4 We also have provided customers with an online
5 tool to help them manage personal energy goals that
6 they have set for themselves.

7 This program is free of charge to anyone who
8 wishes to participate -- any residential customer
9 who wishes to participate.

10 [Reference: PowerPoint Slide 6]

11 In Program Year 1, just to kind of recap, the
12 program launched in April of 2011. On the right-
13 hand side, you see there a sample of a monthly Home
14 Energy Update Report. You can see the bar chart in
15 the middle. The bar chart in the middle shows how
16 this fictitious customer compared to a fictitious
17 peer group, but it's what you would see on a
18 Monthly Home Energy Update.

19 We also established an online customer portal
20 when the program began issuing Home Energy Updates
21 in June, and we introduced, again, the Home Energy
22 Plan online tool in September.

23 We had 28,217 customers to enroll in this
24 program.

25 [Reference: PowerPoint Slide 7]

1 For Program Year 2, we're looking at
2 increasing our program participation. We are
3 looking at adding additional modules: information
4 that will be beneficial to customers, again, based
5 on their home's profile. We're also looking at how
6 we can better educate customers that are
7 participating in the Home Energy Reports Program on
8 the benefits of participating in other demand-side
9 management programs that may be relevant for their
10 situation, because we have a great deal of
11 information about their home and the appliances
12 that they have, and age of appliances, age of
13 homes, and things of that nature.

14 Our current enrollment has dropped from the
15 28,000 mark, down to a little less than 27,000.
16 That primarily reflects those customers who have
17 final-billed and have left the program. So, if you
18 final-bill and leave our system, then you would no
19 longer receive reports through this program.

20 [Reference: PowerPoint Slide 8]

21 Moving on to our next program is our Energy
22 Information Display Program. It provides customers
23 -- we provide a device to customers that monitors
24 their AMR metering and provides them with near-
25 real-time information on their electric usage and

1 cost, and how the activities that they are doing in
2 their home impact their energy usage.

3 It's a discounted device. We ask new
4 customers to pay a \$40 fee, and they receive \$20 of
5 that \$40 back, upon successful installation of the
6 monitor. For low-income customers, we are waiving
7 the fee altogether.

8 [Reference: PowerPoint Slide 9]

9 In Program Year 1, we did a Phase 1 launch in
10 November of 2010, and we made the AzTech device --
11 which you see there on the right-hand corner --
12 available to customers who are participants in our
13 Voice of the Customer panel, customers who our
14 marketing group routinely works with and solicits
15 feedback from on a number of issues related to
16 SCE&G. But we solicited those customers, as well
17 as some small general service commercial customers,
18 and we have 248 residential customers and 44
19 commercial customers enrolled in the program.

20 We made the AzTech device available, to those
21 customers who were willing to participate in this
22 Phase 1 launch, free of charge in exchange for
23 providing us with feedback about their experience
24 with the device and offering us some guidance on
25 how to proceed with the program.

1 So some of the key takeaways from that
2 exercise was that we found that customers needed
3 extensive education on energy usage and what a
4 kilowatt-hour is and what the information they saw
5 on the meter actually meant to them -- on the
6 monitor, what it actually meant to them.

7 We got feedback about a wider variety of
8 device features that customers were interested in:
9 Ease of operation was a key consideration. And we
10 discovered that there were significant differences
11 in the degree of engagement between residential
12 customers and commercial customers that had the
13 device.

14 [Reference: PowerPoint Slide 10]

15 In 2011, based on the feedback we got from
16 customers in the Phase 1 launch, we went into a
17 Phase 2 launch with a different device: the
18 EnergyHub device. We solicited those customers who
19 had been participating in our Home Energy Reports
20 Program, and part of the reason -- or I guess I'll
21 say the majority of the reason -- for that is
22 because of the need for customer education. So
23 customers participating in the Home Energy Reports
24 Program were already receiving this additional
25 information, kind of beyond what the average

1 customer may have -- beyond what the average
2 customer's place might be in terms of education on
3 energy.

4 We made the EnergyHub device av- -- and this
5 time around, in Phase 2, we did charge the \$40. We
6 credited the \$20 back to customers once they
7 successfully installed the device.

8 The EnergyHub device, unlike the AzTech,
9 requires WiFi service, but it also offers a lot of
10 other features that the AzTech device did not have.
11 One of those features is, it is two-way
12 communication enabled, so that we can send
13 communications to customers through that device.
14 So, it receives the communication from the meter
15 and we can also send messages to customers through
16 the device.

17 One of the things we heard from customers who
18 participated in the Phase 1 launch is they would
19 like to store additional information, and the
20 EnergyHub device offers an online Web portal where
21 customers can download information from the device
22 and store it for several months.

23 We have 252 customers enrolled in that
24 program, and 290 customers are on the waiting list
25 and will be receiving devices shortly.

[Reference: PowerPoint Slide 11]

So for Program Year 2, we are looking forward to evaluating the results of Phase 2 and hearing more about what the customers' experience has been with the EnergyHub device. We're going to be looking at how we can market this program to a broader audience, and hoping to launch to a larger group in the second or third quarter of this year.

We are looking at how to go beyond the Home Energy Reports group and equip customers with the kind of education they need to get the greatest value out of the Energy Information Display.

We're also looking at applying the fee and the credit differently. Several utilities across the country, we are learning, are making the devices available for free. It's a somewhat cumbersome process, as we open the program up to more customers, to manage the fee-and-credit scenario, and so we are evaluating that.

[Reference: PowerPoint Slide 12]

To move on to the Home Energy Check-Up Program, this is a program that's been around for a while, kind of in different forms. But this is a walk-through, visual inspection of a customer's home by SCE&G representatives. They make basic

1 energy efficiency recommendations. They leave
2 behind CFL bulbs and water-heater wraps or pipe
3 insulation, if it's appropriate, for a customer's
4 home. They provide information on SCE&G -- other
5 SCE&G incentives through demand-side management,
6 and they also offer information on the federal and
7 state incentives.

8 This service is free of charge. The
9 representatives with -- SCE&G representatives are
10 building analysts. They are certified by the
11 Building Performance Institute, which is a well
12 recognized agency that certifies people for energy
13 efficiency

14 [Reference: PowerPoint Slide 13]

15 In Program Year 1, this was one of -- this was
16 the first residential program to launch, back in
17 October 2010. The overview of the program and the
18 application can be found on our website. There's
19 been an extensive amount of general-awareness
20 marketing to promote this program, because it is
21 something that is available to all of SCE&G's
22 residential customers.

23 We had over 2,000 Home Energy Check-Ups
24 performed in Program Year 1.

25 [Reference: PowerPoint Slide 14]

1 For Program Year 2, we're looking at
2 increasing that participation even further. We are
3 looking at developing even more targeted leave-
4 behinds where we are, you know, able to observe
5 that customers, for instance, may be in need of
6 some work done to their ductwork. We have a
7 demand-side management program that offers rebates
8 and incentives for duct sealing and duct
9 insulation, and we want to make them, you know,
10 fully aware of that program and how they could
11 benefit from it. So we'll be looking at how we can
12 educate customers on the benefits of the other
13 demand-side management programs when we're in their
14 homes.

15 So far, this year, we're off to a great start.
16 We've had almost 500 Home Energy Check-Ups done,
17 just since December 1st.

18 [Reference: PowerPoint Slide 15]

19 The next program is more a whole-home program,
20 so where the Home Energy Check-Up Program was a
21 visual, walk-through inspection, the Home
22 Performance with ENERGY STAR® Program is a more
23 extensive diagnostic audit. It is, again,
24 performed by BPI-certified building analysts, but
25 they are contractors; they do not work for SCE&G.

1 The typical contractor charge is \$200 to \$700.
2 The customer secures that contractor. We do have a
3 list available on our website to assist them with
4 that. The incentives through this program are up
5 to \$2,500 and we offer customer rebates for a
6 number of home improvements related to air sealing
7 and insulation, heating-and-cooling performance
8 improvements, new equipment, water-heating
9 equipment.

10 We also offer a \$200 rebate toward the cost of
11 the audit, for anyone who installs at least one
12 eligible measure. And that eligible measure could
13 be something as simple as a programmable
14 thermostat, so it really is a good value, depending
15 on how much the contractor charges. We also offer
16 a bonus rebate, if customers implement multiple
17 measures.

18 [Reference: PowerPoint Slide 16]

19 In Program Year 1, this program launched in
20 March 2011. We've held a number of contractor
21 information sessions throughout our service
22 territory, where we have been getting the word out
23 to contractors, both auditors and HVAC, plumbing
24 contractors, as well as doing some training. We
25 had 19 participating contractors that were listed

1 on our website last year, and we have -- program
2 overviews for both customers and contractors are on
3 the SCE&G EnergyWise site.

4 We had 160 home audits done last year, and 33
5 of those became -- were paid out -- we paid out
6 rebates on.

7 What we discovered in this program: It is a
8 program that takes some time to get up and running
9 and to make its way through the marketplace. There
10 are sometimes long lead times between the time that
11 a customer has an audit performed and when they
12 decide to commit to a scope of work for home
13 improvement. And then there are some home
14 improvements that the customer will undertake
15 themselves as a kind of do-it-yourself project, as
16 opposed to hiring a contractor to do it for them.

17 [Reference: PowerPoint Slide 17]

18 In Program Year 2, we are moving from what had
19 been a contractor-driven rebate process, where the
20 contractor was acting somewhat as a one-stop shop
21 for customers, where they would complete the
22 application on behalf of customers once they
23 performed the audit and then completed whatever
24 scope of work for home improvement. What we
25 discovered is that sometimes the customer's sense

1 of urgency for entering an application and getting
2 rebates is a little bit different than the
3 contractor's sense of urgency for entering those
4 rebates. So we're moving to a process where the
5 customer is driving the rebate submittal process.

6 We're hoping to see, also, in Year 2, an
7 increased throughput from the audit to an actual
8 project that we can pay a rebate on. So we'll be
9 focusing on how to assist customers in moving them
10 through that decision-making process. We've
11 increased the number of contractors that are
12 participating in the program. We now have 23.
13 We've increased the audits and rebates that were
14 done, already. For the entire 2011 period, we're
15 already at 147 audits and we've paid out 41
16 rebates, so more than what we did in Program Year
17 1. And so Program Year 2 is off to a pretty good
18 start.

19 [Reference: PowerPoint Slide 18]

20 The ENERGY STAR® Lighting Program works a little
21 bit differently than the rebate programs with Home
22 Performance that I just described. This program is
23 designed to increase awareness of ENERGY STAR®
24 qualified lighting and lighting products, so it
25 offers discounts for CFL bulbs, CFL fixtures, and

1 some LED lights.

2 We offer discounted prices at retail stores,
3 so there is no application for a customer to fill
4 out. Those stores, the markdowns are taken, the
5 discounts are already figured into the price of the
6 products that SCE&G is discounting, and when a
7 customer -- for the most part -- when a customer
8 checks out, those discounts are taken off at the
9 register.

10 There are some stores that are not able to
11 handle that kind of point-of-sale transaction, that
12 have coupons that they allow customers to fill out,
13 and then those customers bring those to the
14 register and then they redeem that coupon, you
15 know, at the time of the purchase.

16 We have a lot of educational point-of-purchase
17 materials in the retail stores that alert customers
18 to the discounted products

19 [Reference: PowerPoint Slide 19]

20 In Program Year 1, this program happened to
21 launch on Valentine's Day in 2011; we had 170
22 participating retailers. We started out with
23 discounts of up to \$1.50 per CFL bulb, and in some
24 instances that moved throughout the course of the
25 year to discounts as high as up to \$3 per bulb for

1 some special promotional discounts that we offered
2 for several months, in conjunction with Energy
3 Awareness Month. We also experienced -- part of
4 the reason for the increase in the discounts is
5 that we also experienced CFL production costs
6 rising over Program Year 1. You might be aware of
7 some of the information in the media about the
8 increase in cost of rare earth minerals, which are
9 part of CFL bulbs.

10 We have a list of the participating retailers
11 on our website, and links to information about how
12 to properly dispose of bulbs, proper applications
13 for bulbs, where you can catch the next lighting
14 demonstration. And we've had a number of those
15 demonstrations across our service territory, and
16 special events.

17 This is another program that is, you know,
18 widely applicable to the masses, and so we've been
19 able to take advantage of a lot of the general-
20 awareness marketing that SCANA does, in promoting
21 this program. And this program succeeded very well
22 and sold over a million bulbs and fixtures last
23 year.

24 [Reference: PowerPoint Slide 20]

25 This just shows you, on the left-hand side,

1 one of the in-store demos where there is, you know,
2 a pretty nice setup for customers, and there's a
3 lighting demonstration there, and it shows the
4 differences between incandescent bulbs and CFL
5 bulbs and their energy usage. And there's someone
6 actually on-site there to answer customers'
7 questions and assist them.

8 We did more than 20 in-store demos at places
9 like Lowe's and Home Depot and Sam's Club. And we
10 did a number of community-based events, as well.

11 On the right-hand-side bottom corner, you may
12 have seen, you know, a television ad, a public
13 service kind of ad, that talks about the programs,
14 as well.

15 [Reference: PowerPoint Slide 21]

16 In Program Year 2, we're going to be adding
17 additional retailers and manufacturers to the
18 program. We're going to be focused on educating
19 customers more about CFL bulbs and LED bulbs and
20 how you use them and how to make the best choices
21 of bulb to the application that you're looking for,
22 for the use of the bulb.

23 We're adding new LED products to the program.
24 And so far this year, we've sold almost ½ million
25 bulbs since December 1st. So this program looks

1 like it's off to a great start again this year

2 [Reference: PowerPoint Slide 22]

3 Our Heating & Cooling and Water Heating
4 Equipment Program promotes the installation of
5 high-efficiency heating-and-cooling equipment, and
6 the installation of nonelectric-resistance water
7 heating.

8 It's available for customers in new
9 construction, as well as customers in existing
10 homes, and the incentives range from \$200-\$525 for
11 -- you can see the list there -- different types of
12 heating-and-cooling equipment, and then, as far as
13 water heaters go, you know, a variety of water
14 heaters that are not electric-resistance water
15 heating.

16 [Reference: PowerPoint Slide 23]

17 In Program Year 1, this program launched on
18 March 2011. The program overviews, again, are
19 available on our website, and as well as the
20 application.

21 We had increased contractor participation in
22 2011. We started out, early in this rollout of
23 this program, with, again, similar to the Home
24 Performance Program where the rebate process was
25 contractor driven. The contractor entered the

1 rebates on behalf of the customer and they
2 completed the application on behalf of the customer
3 through an online process. Similarly, we learned
4 that the contractor who performed the installation
5 had a different sense of urgency about the rebates
6 than the customers do, and the customers were on
7 the one hand benefited from not having to submit an
8 application, but on the other hand were somewhat in
9 the dark about where their application was and the
10 status and what have you. So we've changed this
11 process as well, and we opened up the participation
12 beyond a participating-contractor list of a well-
13 defined group of participating contractors, and now
14 any licensed HVAC contractor can participate in the
15 program. We also learned that customers may not
16 have needed the kind of help we were attempting to
17 give them with providing them with a list of
18 contractors, because we learned that some customers
19 have long-term relationships with an HVAC
20 contractor that they're accustomed to using for
21 their equipment needs.

22 I told you a little bit about the new rebate
23 process already. We've done a wide variety of
24 contractor training throughout our service
25 territory, and we had 1,345 rebates paid last year.

[Reference: PowerPoint Slide 24]

In Program Year 2, we're looking at increasing program participation. We're planning to introduce a quality installation component to the program so that we will incentivize contractors to make sure that the installation of new equipment is of the highest quality possible, and so that you get the greatest energy savings out of an installation. You know, a poorly installed high-efficiency unit is not nearly as effective at saving energy as a very well installed high-efficiency unit.

We are off to a good start this year. You know, we already have paid more than 1,000 rebates on this program, since December 1st.

[Reference: PowerPoint Slide 25]

Our Heating & Cooling Efficiency Improvements Program addresses not the new equipment side, but when you have existing, getting the most out of existing heating-and-cooling equipment. So the contractors who provide this service participate in SCE&G-sponsored training on the technical protocol required for customers to benefit from rebates on this program. And we've gotten a lot of positive feedback from contractors; they appreciate the training, and they are able to count it towards

1 their continuing education units. So it is a win-
2 win for them and for us.

3 The incentives in this program range from \$60-
4 \$150 for HVAC tune-ups, for duct sealing, and for
5 duct insulation.

6 [Reference: PowerPoint Slide 26]

7 The program launched in March of 2011, and
8 again the overview of the program and the
9 applications are located on our website.

10 Again, similar story to the HVAC equipment
11 program. We did eliminate our participating-
12 contractor list; the program is now open to all
13 licensed HVAC contractors. And we identify those
14 contractors -- we're working aggressively with
15 those contractors to get them trained on the
16 protocols for the program, so that they can deliver
17 the tune-up as prescribed with the SCE&G protocol.

18 We implemented a similar rebate process where
19 customers are now in the driver's seat for the
20 rebates, as opposed to the contractor. And again,
21 we've done contractor training on the program and
22 on the technical protocols for the program
23 throughout our service territory.

24 We had 125 rebates paid last year.

25 [Reference: PowerPoint Slide 27]

1 Program Year 2, we're looking at increasing
2 customer and contractor participation. We want to
3 get more contractors trained on the program
4 protocols, to be able to deliver the tune-up.
5 We're also looking at how to address the "tune-up"
6 nomenclature, because what we've discovered is that
7 "tune-up" means a lot of different things to
8 different contractors. And people have already in
9 place maybe annual or semiannual agreements with
10 their HVAC contractor for what that contractor may
11 describe as a tune-up, and it could be -- in most
12 cases -- very different than the kind of diagnostic
13 efficiency tune-up that the SCE&G protocol
14 requires. So we're looking at maybe figuring out a
15 better way to describe that.

16 Program Year 2 is off to a good start. We've
17 already paid more rebates than we did in Program
18 Year 1, in the last two and a half months. We've
19 paid nearly 200 rebates.

20 [Reference: PowerPoint Slide 28]

21 Our ENERGY STAR® New Homes Program promotes ENERGY
22 STAR® qualified new home construction in the SCE&G
23 service territory, and it's basically designed to
24 educate builders on the benefits of building ENERGY
25 STAR® homes.

1 The builders must use a qualified HERS rater
2 that can determine whether or not their home that
3 they're constructing meets ENERGY STAR® standards.

4 We pay a \$750 incentive to the builder -- not
5 to the customer -- in this program. And then, they
6 also are eligible for a \$250 rebate for the
7 installation of nonelectric-resistance water
8 heating through the Heating & Cooling and Water
9 Heating Equipment Program.

10 [Reference: PowerPoint Slide 29]

11 This program launched in March of 2011, as
12 well. We had 30 participating builders. We had 19
13 participating HERS raters.

14 Information about the program is on our
15 website.

16 We've provided training throughout our service
17 territory on ENERGY STAR® Version 3. And we paid 86
18 rebates in Program Year 1. So those were 86 homes
19 constructed to ENERGY STAR® standards.

20 [Reference: PowerPoint Slide 30]

21 In Program Year 2 -- there was a ruling by EPA
22 that allows homes permitted by the end of last year
23 to still qualify for ENERGY STAR® under their Version
24 2.5, until the end of June of this year. So that
25 was well received by builders who may be having

1 some difficulty transitioning from Version 2.5 to
2 Version 3.0. But we have been again, you know,
3 addressing questions and concerns from builders and
4 raters about ENERGY STAR® Version 3, and we've been
5 focused, in particular, on training the HVAC
6 contractors on the ENERGY STAR® Version 3
7 requirements, which will mean some changes to the
8 way that they install equipment.

9 We've had 255 homes reported to us so far this
10 year as under construction, being built to ENERGY
11 STAR® standards. We've already paid more rebates
12 this year than we did all of last year, with 89.

13 [Reference: PowerPoint Slide 31]

14 The Low Income Program is one that we are
15 working on. It's not yet in place, but it's one of
16 the programs that was in the order that we received
17 from the Commission to put in place in Program Year
18 2 or 3. And we've already been working on that and
19 looking at some of the elements of the Low Income
20 Program and figuring out the approach for
21 delivering this program, looking at customer
22 eligibility requirements, what kind of equipment
23 and/or service requirements we want to have,
24 program terms and conditions, the budget for the
25 program. We're hopeful to be able to implement

1 this program, with the Commission's approval, in
2 Program Year 3.

3 [Reference: PowerPoint Slide 32]

4 So that was -- concluded all of our
5 residential programs.

6 I'll tell you about our commercial programs.

7 We have two, and one is a prescriptive program.

8 And the prescriptive program is designed to

9 encourage commercial/industrial customers to

10 install -- make energy-efficient purchases when

11 they have an opportunity to install new equipment.

12 And the incentives are based on a variety of

13 relevant equipment efficiency and performance

14 standards, and you can see there the list of the

15 types of rebates that we're offering for lighting,

16 for new construction lighting, LED traffic signals,

17 HVAC, HVAC chillers, variable-frequency drives, and

18 food service and other high-efficiency equipment.

19 Some of the projects require pre- and post-

20 installation verification for projects over a

21 certain size.

22 We have been recruiting trade allies to

23 participate in the program through education

24 sessions and informing them about how the program

25 works, what the incentives are. And we are also

1 reaching out directly to customers either through
2 mail campaigns or other outreach activities,
3 through the SCE&G account representatives that call
4 on those commercial/industrial customers on a
5 regular basis.

6 [Reference: PowerPoint Slide 33]

7 In Program Year 1, the Commercial & Industrial
8 Prescriptive Program was the first program to
9 launch -- first commercial/industrial program to
10 launch, and it launched in October of 2010.

11 The application, again, like the other
12 programs, is available on our website, and --
13 several applications are available on our website
14 for the various measures that we offer rebates for
15 under the prescriptive program.

16 We've had customer and trade ally sessions
17 throughout our service territory. We've had a
18 targeted effort at communicating to small
19 commercial customers about lighting and the phase-
20 out of T12 that is coming about.

21 And we've also experienced some industrial
22 customers who previously opted out of the program
23 have opted back in -- just a handful, but some.

24 We paid 240 rebates last year. The majority
25 of the rebates that we saw last year were for

1 lighting projects, and they tended to be small
2 projects, again, because -- our view is -- in part,
3 because the industrial customers are opted out of
4 this program, or a number of our industrial
5 customers are opted out of this program.

6 [Reference: PowerPoint Slide 34]

7 For Program Year 2, we're looking at
8 increasing program participation. We're going to
9 continue our efforts to educate our customers and
10 our trade allies on the program, and the ways in
11 which they can take advantage of the rebates that
12 we're offering.

13 We're off to a great start again on this
14 program. We have paid 109 rebates, to date.
15 Lighting projects continue to dominate the rebates
16 that we're seeing, and we are also starting to see
17 the rebate amounts trending upward, which is an
18 indication that the scope of the projects are also
19 trending upward.

20 [Reference: PowerPoint Slide 35]

21 Our second commercial/industrial program is a
22 custom program. It's basically designed to handle
23 any of the things that do not fit in the
24 prescriptive program. So we evaluate the rebates
25 on a project-by-project basis. Unlike the

1 prescriptive program, where only projects above a
2 certain size require pre-approval, all projects
3 under the custom program require pre-approval, and
4 we determine the incentive amount based on a
5 project-by-project basis.

6 Again, we recruit customers to participate in
7 the program through a variety of means, with face-
8 to-face outreach and through SCE&G account
9 representatives and through trade allies that
10 inform customers about the program, as well.

11 [Reference: PowerPoint Slide 36]

12 This program launched in May of 2011, and the
13 application, again, is available on our website.

14 The incentives in Program Year 1 were capped
15 at \$25,000 per customer account, per year. And we
16 had customer and trade ally sessions, like the
17 prescriptive program, throughout our service
18 territory. We only had one customer to take us up
19 on a rebate for the custom program last year.

20 [Reference: PowerPoint Slide 37]

21 So, in Program Year 2 we're looking at how can
22 we increase program participation, and some of the
23 feedback that we have gotten is about the \$25,000
24 cap. And we have subsequently removed that \$25,000
25 cap. We heard from some customers that suggested

1 that the scope of their projects were so broad that
2 the \$25,000 cap really did not offer very much of
3 an enticement to participate in the program.

4 And so we are hopeful that we'll have more
5 participation. And we already have. We've had a
6 600 percent increase, because we're up to six
7 rebates from last year's one rebate.

8 [Reference: PowerPoint Slide 38]

9 That's kind of the gist of what occurred with
10 our programs, our residential and commercial
11 programs.

12 We continue to meet -- I continue to meet with
13 our DSM Advisory Group. Our membership consists of
14 a representative from ORS, a representative from
15 the Coastal Conservation League, someone from the
16 South Carolina Small Business Chamber, a
17 representative from the Governor's Office, a
18 representative of the interests of low-income
19 customers, and then someone from Kimberly-Clark
20 representing the interests of industrial customers.

21 We met three times in Program Year 1, we've
22 met early this year, and we will probably meet
23 again later this summer.

24 [Reference: PowerPoint Slide 39]

25 As indicated on the agenda at the beginning, I

1 wanted to hit the highlights on our evaluation-
2 measurement-and-verification efforts, as well.

3 We hired a third-party program evaluator, per
4 the Commission's order, and that evaluator is
5 Opinion Dynamics Corporation. We have been working
6 with them since very early on, in getting our
7 programs up and running, and we were ordered to
8 have a plan put in place for our evaluation efforts
9 by September of 2010. So that plan was put
10 together and issued to the DSM Advisory Group, and
11 reviewed with the Advisory Group at the September
12 meeting in 2010. We solicited comments and
13 questions, and those were addressed and/or
14 incorporated into the plan, and then a final plan
15 was issued in October of 2010.

16 In January of 2012, just a couple of months
17 ago, we submitted our update to the rider, and that
18 reflected a review period of October 1, 2010,
19 through November 30, 2011 -- which I have been
20 referring to as our Program Year 1 -- and you'll
21 see from the math that that is a program year of
22 about 14 months, in large part because we had two
23 programs up and running for about 60 days before
24 the 12-month calendar year that would have ended
25 November 30th. So we rolled those 60 days into

1 Program Year 1, given that the majority of the ten
2 programs that we have come on-board later in
3 Program Year 1, in February through April of 2011.

4 So the forecast period for our next year, our
5 next program year, Program Year 2, is December 1,
6 2011, through November 30th of this year.

7 Our first EM&V report from Opinion Dynamics,
8 we're looking forward to receiving that in April or
9 May of this year, and we are working with Opinion
10 Dynamics to conduct their -- to, I guess,
11 facilitate their efforts to conduct process
12 evaluations -- both process and impact evaluations.
13 So not only are they -- they're going to be able to
14 offer us feedback on any process improvements that
15 we can do, as well as to make an assessment of our
16 net energy and peak-demand energy savings.

17 So with that, that concludes my portion of the
18 presentation. I'll turn it over to Kenny Jackson.

19 [Reference: PowerPoint Slide 40]

20 **CHAIRMAN HOWARD:** Do you prefer questions now,
21 Ms. Howard, or are you going to wait until Mr.
22 Jackson gets through?

23 **FELICIA R. HOWARD [SCE&G]:** I don't have a
24 preference.

25 **CHAIRMAN HOWARD:** All right, Commissioners,

1 we'll just wait until Mr. Jackson gets through, and
2 then we'll ask questions.

3 **KENNETH R. JACKSON [SCE&G]:** Okay. That'll be
4 fine.

5 Good morning, Commissioners. Happy to be here
6 with you. What I'd like to do is kind of review
7 with you the components that make up the DSM rider,
8 and I'll walk you through these, and very similar
9 to what we did last year and just kind of updating
10 the numbers, because Ms. Howard's group has
11 implemented a number of programs that we've
12 invested in.

13 [Reference: PowerPoint Slide 41]

14 Just a quick review. You've got program
15 costs, per the order; you've got net lost revenues;
16 shared-savings incentive; and, of course, the
17 denominator being kilowatt-hour sales, or projected
18 kilowatt-hour sales as the denominator to come up
19 with the rate. And what I'll do is kind of walk
20 you through each of these calculations, just to
21 kind of give you an update from last year.

22 [Reference: PowerPoint Slide 42]

23 Program costs. We'll start out with program
24 costs. Program costs, we have a number of
25 regulatory asset accounts on the books set up by

1 our accounting team to track each of the programs
2 that Ms. Howard's team are in the process of
3 implementing. And so it's very good accounting,
4 where we can keep up with the costs directly and
5 indirectly. We've got a regulatory asset account
6 for the indirect costs, as well as the direct
7 costs, and I'll go through a little bit of that
8 with you in just a moment.

9 Also included in these costs, though, is the
10 carrying cost on the balance in those regulatory
11 asset accounts, at the weighted average cost of
12 capital -- and again, this is per the order also.
13 And to mitigate the impact of these costs on the
14 rate rider, we've amortized them over five years to
15 mitigate that impact to the rate rider.

16 This is all subject to the ORS audit. ORS is
17 currently auditing the books and records of the
18 company, as we speak.

19 And just to give you an idea on examples of
20 what kind of costs we have in here: Ms. Howard's
21 team, all of her employees would fall into these
22 program costs; rebates, incentives; marketing;
23 EM&V; outside consultants, and even legal expenses.
24 So this is to kind of give you an idea of the costs
25 we're incurring to implement these programs.

[Reference: PowerPoint Slide 43]

This is Exhibit 2 to the Petition. As you can see -- I talked a little bit about the direct costs. You see up at the top of the spreadsheet there the \$9.5 million in direct costs; these are directly related to the programs, implementing the programs themselves. Then you have about \$2 million there of indirect program costs, primarily related to what you would call information systems, administrative employees, and office supplies. Those type things would fall into that category.

And as you can see, we've got a total of about \$11½ million, as of November 2011. This would compare last year to about \$1.8 million. So you can see the impact that implementing the additional programs to get the programs out there into the marketplace has had on the costs that we've invested into these programs.

The first column there shows the direct costs -- that's the \$9½ million dollars -- by customer class. And of course, we developed an allocation there in that second column where it's the 71.96 percent for residential, based off of the first column there. And what we use those percentages for is to allocate the \$2 million to classes. And

1 similar to a cost-of-service study, cost causation,
2 these direct costs are giving rise to the indirect
3 costs, and that's why they're a good allocator for
4 allocating the indirect costs.

5 And once we do that, of course, you get the
6 total there, over at the \$11.5 million you see
7 there. And, of course, we divide that by five to
8 get the one-year amortization of \$2,317,857. This
9 compares to \$354,000 last year. Again, a lot of
10 programs being implemented and a lot of investment
11 made into the programs since a year ago.

12 [Reference: PowerPoint Slide 44]

13 The next component is the net lost revenues.
14 Net lost revenues, as you implement the programs
15 and get them into the marketplace, customers are
16 using less kilowatt-hours -- or lost retail sales,
17 as we call it -- and thus, you're going to have
18 lost revenues if you have lost sales. And we are
19 allowed to recover net lost revenues, per the
20 order. The basic formula is you take those energy
21 savings from what we get from Ms. Howard's group
22 and their modeling, to multiply times an average
23 rate per class, minus fuel, minus variable O&M.
24 And that was agreed upon also in the settlement
25 agreement which was adopted in the order. So we

1 get the fuel out of it, and we get variable O&M out
2 of it, and then you're left with a margin piece
3 there that is applied to these estimated lost
4 kilowatt-hour sales.

5 Again, subject to ORS audit, and there are no
6 carrying costs associated with the lost-revenue
7 component.

8 [Reference: PowerPoint Slide 45]

9 And this is a calculation -- a very high-level
10 calculation of it, not going behind the scenes here
11 because you're using planning models and databases
12 to come up with these cumulative energy savings.
13 And as you can see, by class there we show the
14 energy savings or lost sales to us, with
15 residential being 93 million kilowatt-hours. And
16 then, of course, in the second column there with
17 the numbers, you see the factors that I was telling
18 you about, which is the margin piece, which is the
19 total rate minus any fuel, minus any variable O&M.
20 It's multiplied out to get the total lost revenues
21 estimated for the period you're looking at there
22 through November 2012, which is about \$16 million.

23 Last year, we had about \$6 million, so we're
24 up about 150 percent, which is pretty much in line
25 with the costs that we're investing into the

1 programs as we move through this program year.

2 [Reference: PowerPoint Slide 46]

3 The last component is the shared-savings
4 component or shared-savings incentive, which is the
5 final component that we want to talk about here
6 today. It's 6 percent of the net benefits that are
7 calculated using the Utility Cost Test. And this
8 particular component, though, as agreed to in the
9 order, is amortized over five years to, of course,
10 mitigate the impact on the rider itself.

11 There are no carrying costs on this particular
12 component. Again, ORS is auditing this component,
13 as well.

14 [Reference: PowerPoint Slide 47]

15 This is Exhibit 4 from the Petition. And I
16 might add, the lost-revenue component and the
17 shared-savings component will be trued up, because
18 we are using projected numbers at this point, and
19 they will be trued up once the EM&V data is
20 available, which Ms. Howard indicated would be
21 available in May. We'll move quickly to go ahead
22 and do the analysis to get prepared to do the true-
23 up, which will appear in our next filing in January
24 of 2013.

25 Again, we're looking at the cumulative net

1 benefits here through November of 2012, using the
2 Utility Cost Test. Basically, it looks at the
3 benefits -- benefits, we think of as, you know,
4 avoided costs. What are we avoiding per kilowatt-
5 hour? We calculate the kilowatt-hour savings,
6 multiply it by our avoided cost, to get the
7 benefits; and then we subtract out any program
8 costs to get the net benefit. So, basically, we
9 take the net benefits from the modeling that we've
10 done, take 6 percent of it -- as you can see in the
11 second column there -- and then we amortize it over
12 five years.

13 You see the \$928,000 is what we are proposing
14 to include in the Demand-Side Management Rider for
15 this go-round, compared to \$362,000 last time.
16 Again, a 150 percent increase, but with the pickup
17 in the implementation and investment we've made in
18 the various programs, you can see why that is
19 taking off. And again, listening to Ms. Howard, we
20 expect to see even more benefits in the future.

21 [Reference: PowerPoint Slide 48]

22 The sales side of it, we're looking at our
23 projected sales, by class, for the period May
24 through April. This is proposed. We look at the
25 various classes of small, medium, and large sales.

1 Of course, you have to take into account the opt-
2 out provision, because you have the industrial
3 customers, which we have in all those classes --
4 the small class has some small industrials, medium
5 has medium industrials, and of course the large
6 industrials will opt out, and a number of them
7 have. I think indicated in our Petition -- and
8 I'll talk a little bit more about that in a minute
9 -- 70 percent of the consumption in the industrial
10 class has really -- has opted out. Or 71 percent,
11 I'm sorry. 70 percent was last year, and 71
12 percent this year, so a small uptick by 1 percent
13 this year.

14 So we don't know whether that trend will
15 continue. Ms. Howard has indicated that some are
16 opting back in. But you also have to think, too,
17 some may have been standing on the sidelines
18 waiting to learn more and whether to opt out, or
19 may not have even known to opt out. So, we'll have
20 to take all of that into account for next time. So
21 I don't know whether that 71 percent will continue
22 to increase. I'm hoping it stabilizes. We only
23 saw a 1 percent increase this go-round.

24 Again, these sales are audited by the Office
25 of Regulatory Staff.

[Reference: PowerPoint Slide 49]

Just a summary of pulling all this together:
The program costs, which we talked with you on the
first component, plus the net lost revenues by
class, the shared-savings incentive by class, gives
you your total cost to be recovered by class. Then
you take the class-specific sales that I was
telling you about a minute ago, do the division,
and you've got your component by class.

[Reference: PowerPoint Slide 50]

And that is that summary that we pull together
for you here. You've got the amortization of the
program costs, that \$2.3 million -- and I'll just
look at the total side here, for now. The
estimated lost revenues, that's the \$16 million
component. And then the shared-savings incentive,
which is also amortized over five years. And then
you've got a total of almost -- a little over \$19
million that we're seeking to recover with the
update of the rate rider.

You'll probably remember from last year that
number was \$7 million; now it's almost up to three
times what it was. And that makes sense, looking
at the costs that we're investing in the programs
and how they're getting the programs out there into

1 the marketplace, and things are really taking off
2 right now.

3 And as you can see at the bottom there,
4 dividing through by the sales, you get the rate
5 that we're proposing to charge and we're requesting
6 to start charging in May of this year, through
7 April of next year.

8 [Reference: PowerPoint Slide 51]

9 And this is -- the final slide here shows a
10 summary comparison to where we are today, with
11 residential at triple-zero point four cents
12 [\$0.00044] a kilowatt-hour. We're requesting to go
13 to double-zero one thirty-two cents [\$0.00132] a
14 kilowatt-hour, for a difference of triple-zero
15 eighty-eight [\$0.00088]. And you can see by the
16 note at the bottom, this indicates that on a Rate 8
17 customer using 1,000 kilowatt-hours, the bill will
18 go from \$129.97 to \$130.85, for a .68 percent
19 increase. So \$.88 per thousand is what we would be
20 looking at or requesting here today to go up on the
21 DSM Rider.

22 I do -- as the programs get more accepted out
23 into the marketplace, we would expect this trend to
24 continue in terms of the rider, but we'll also see
25 the benefits, too, by the savings in kilowatt-hours

1 that we're seeing on the system.

2 So, very briefly, to walk through with a
3 review of the rider itself, and we are available
4 for any questions that you may have.

5 **CHAIRMAN HOWARD:** Thank you. Commissioners?
6 Commissioner Wright.

7 **VICE CHAIRMAN WRIGHT:** Thank you, Mr.
8 Chairman. Good morning.

9 **KENNETH R. JACKSON [SCE&G]:** Good morning.

10 **VICE CHAIRMAN WRIGHT:** A beautiful day to be
11 here. Ms. Howard.

12 **FELICIA R. HOWARD [SCE&G]:** Yes.

13 **VICE CHAIRMAN WRIGHT:** You were talking about
14 the Home Energy Check-Up Program and you were
15 giving us some details about it, but would you go a
16 little deeper for me and kind of explain maybe an
17 approach, the specific approach that you go for
18 marketing the program? How do you go about
19 marketing it?

20 **FELICIA R. HOWARD [SCE&G]:** Well, the Home
21 Energy Check-Up is marketed through a number of
22 different means. So, a lot of community outreach
23 activities. There's a group of -- we have five
24 field reps that do the actual in-home -- provide
25 the actual in-home services, and then there are

1 three other support folks. And between those eight
2 folks, they are probably at a community event at
3 least once per week, of some sort. We also are
4 doing a fair amount of marketing through print
5 advertising, through radio, on our Web, through a
6 number of special events, exhibits. We were just
7 at the Black Expo in Charleston with a workshop.
8 So it's probably the program that gets the
9 opportunity to be promoted the most.

10 **VICE CHAIRMAN WRIGHT:** So --

11 **FELICIA R. HOWARD [SCE&G]:** It's a free
12 program and it's of tremendous interest to
13 customers.

14 **VICE CHAIRMAN WRIGHT:** So the community
15 outreach, I mean -- you mentioned events that you
16 go to. How do you choose the events, and what kind
17 of events are they? Are they homeowner meetings?
18 Are they --

19 **FELICIA R. HOWARD [SCE&G]:** They could be
20 homeowner association meetings. They could be
21 organized events, like the Black Expo. Generally,
22 we will either seek out customers or those
23 customers will seek us out. We have -- actually
24 are underway with an initiative to proactively
25 reach out to a number of homeowner associations, in

1 conjunction with our marketing group.

2 But when I say "general awareness," what I
3 mean is that SCANA Corporation has a marketing --
4 has a number of marketing initiatives, and it just
5 happens that Home Energy Check-Up is one that
6 broadly appeals to a wide variety of customers.
7 And so we've been able to leverage the marketing
8 that SCANA is doing, for the benefit of the Home
9 Energy Check-Up Program.

10 **VICE CHAIRMAN WRIGHT:** Okay. And I guess, of
11 all the programs, you forecast that the Home Energy
12 Check-Up will provide the least amount of megawatt
13 reductions in Year 2, I think it was.

14 **FELICIA R. HOWARD [SCE&G]:** [Nodding head.]

15 **VICE CHAIRMAN WRIGHT:** Why -- what do you
16 think that is? Is it because the materials are
17 left behind and they're not using them, or what?

18 **FELICIA R. HOWARD [SCE&G]:** The energy savings
19 that's associated with that program is a result of
20 our modeling, and the Home Energy Check-Up Program
21 is an education program in large part, so the
22 leave-behind materials are of benefit to -- I guess
23 the program kind of has a twofold benefit.
24 Probably the greatest benefit is the education that
25 customers are receiving. So it's a walk-through

1 inspection. The field reps spend a great deal of
2 time with the customers. They even walk them
3 through their SCE&G bill, helping them to
4 understand what the different elements of the bill
5 are, what drives that, helping them to understand
6 how weather impacts the bill. They show them, you
7 know, where there are opportunities for caulking
8 around their home, where there may be opportunities
9 for improving the condition of their ductwork in
10 their home, inform them about issues related to
11 equipment efficiency. So, a big component of it is
12 education. And then the leave-behind materials --
13 leave-behind items are things that those customers
14 can take action on right away, so you're armed with
15 that information and you can take action right away
16 that same day, to begin to make a change in your
17 home's energy efficiency.

18 The EM&V process will vet out that energy
19 savings and make a determination as to whether that
20 number that is in our modeling is, indeed, an
21 accurate and fair number to use. So we may see
22 that number change.

23 **VICE CHAIRMAN WRIGHT:** Okay. Thank you, Mr.
24 Chairman.

25 **CHAIRMAN HOWARD:** Commissioner Hamilton.

1 **COMMISSIONER HAMILTON:** Thank you, Mr.
2 Chairman. I'd like to thank Ms. Howard and Mr.
3 Jackson, both of you, for a very informative
4 presentation. I do have a couple of questions.
5 I'll start with you, Ms. Howard. It appears that
6 the chart you offered, Exhibit 1, that all the
7 programs, planned programs, have been implemented.
8 Is that correct?

9 **FELICIA R. HOWARD [SCE&G]:** Yes. With the
10 exception of the Low Income Program which we will
11 be implementing in Program Year 3.

12 **COMMISSIONER HAMILTON:** Okay. And you also
13 stated that your advisory committee was up and
14 running, and I believe you stated it had three
15 meetings so far.

16 **FELICIA R. HOWARD [SCE&G]:** Yes. We've had
17 four meetings so far.

18 **COMMISSIONER HAMILTON:** Four meetings.

19 **FELICIA R. HOWARD [SCE&G]:** We had three in
20 Program Year 1, according to the order, and we've
21 had one so far in Program Year 2.

22 **COMMISSIONER HAMILTON:** Okay, very good.
23 Could you tell me what recommendations this
24 committee has made and how are you following up on
25 that?

1 **FELICIA R. HOWARD [SCE&G]:** Well, I'll tell
2 you some of the -- I don't know that we've
3 necessarily had specific recommendations, so -- in
4 the meetings I will present information about what
5 we have going on. There are a lot of questions
6 asked, and sometimes it's just clarifying.

7 But I will tell you, one of the
8 recommendations that sticks out in my -- or one of
9 the conversations, I'll say, that sticks out in my
10 mind, is from one of our early Advisory Group
11 meetings. We were in the process of launching
12 Phase 1 launch of our Energy Information Display
13 with the AzTech device, and one of the members of
14 the Advisory Group had received an AzTech device,
15 as a small commercial customer, and had a lot of
16 feedback about the device itself, how easy it was
17 to use, or what have you. So I got a lot of face-
18 to-face feedback about the device, from someone who
19 I knew and had a relationship with. And that was
20 very helpful in helping us to make the decision to
21 move to a different device in Phase 2. So that
22 would be an example.

23 **COMMISSIONER HAMILTON:** Okay. So there is an
24 interchange that you are listening to.

25 **FELICIA R. HOWARD [SCE&G]:** Yes. Oh, yes.

1 **COMMISSIONER HAMILTON:** That sounds good.
2 Thank you. Mr. Jackson, I don't want to leave you
3 out.

4 [Laughter]

5 **KENNETH R. JACKSON [SCE&G]:** Okay.

6 **COMMISSIONER HAMILTON:** Happy to have you,
7 sir. Let me -- I have one question. While the
8 average 1,000-kW residential customer's bill would
9 increase about 88 cents per month under the
10 proposed change to the rider, the residential rider
11 is a 200 percent increase over last year. What are
12 the reasons for this, and is this consistent with
13 your expectations?

14 **KENNETH R. JACKSON [SCE&G]:** Yes, sir,
15 Commissioner. What I stated early in some of my
16 charts there, we only had about \$7 million in costs
17 to recover last year, because the programs were not
18 fully implemented, like Ms. Howard said. I think
19 she finally got them fully implemented in the late
20 spring of 2011. But once they got out there, the
21 rebates started adding up, the costs started adding
22 up, and as you can see we went from \$7 million to
23 recover to \$20 million to recover. So that's the
24 big reason for the increase in the rate.

25 As they get more aggressive and the customers

1 are more accepting of these programs, that will go
2 up even more.

3 Now on the other side of the coin, customers
4 who participate in the programs and take advantage
5 of them, they can actually save through lower
6 usage. So that's very critical to participating in
7 the programs, that they can actually offset this
8 increase by taking advantage of the programs. And,
9 of course, other customers benefit because the
10 system as a whole benefits, because that's less we
11 have to plan for on the peaking side, with peaking
12 units in the future. We can defer that peaking
13 unit much further out into the future if these
14 programs continue to be as successful as they are.

15 **COMMISSIONER HAMILTON:** Okay. We've had some
16 discussion in other gatherings concerning this same
17 information, that some customers are benefiting,
18 but those that don't take part in it are actually
19 having to subsidize this. Is there any truth to
20 this?

21 **KENNETH R. JACKSON [SCE&G]:** Well, they're
22 having to pay for somebody else who is making an
23 investment in their home, yes, they are. But, the
24 benefit to them as a whole is, like I said, the
25 system as a whole benefits because we can defer

1 that next peaking unit further out into the future
2 and we won't have to come back as soon and ask for
3 a rate increase to cover the cost of another
4 peaking unit. So people who do not participate are
5 gaining a benefit. Those who do participate are --
6 you have to remember, they're making an investment
7 in their residence; they're having to come out of
8 their pocket for an investment, whether it's into a
9 new HVAC unit, or whatever, but they are going to
10 save also, as a result of doing that.

11 **COMMISSIONER HAMILTON** Thank you. Thank you,
12 Mr. Chairman.

13 **CHAIRMAN HOWARD:** Commissioner Mitchell.

14 **COMMISSIONER MITCHELL:** Thank you, Mr.
15 Chairman. Ms. Howard, could you tell me what
16 lessons do you think SCE&G has learned, over these
17 initial years of operation, about the demand
18 reduction and the energy efficiency programs?
19 Could you just give me a summary of what --
20 quickly, and I know it's a lot, but I would just
21 say highlight the biggest benefits that you see.

22 **FELICIA R. HOWARD [SCE&G]:** A tremendous
23 number of lessons learned. And I will say that the
24 biggest lesson learned I think is that, in general,
25 customers will surprise you, in terms of how they

1 respond to the offerings. I will say, overall, the
2 programs have done well. I look at them as a
3 portfolio. They are a portfolio of programs that
4 are designed to achieve an energy savings outcome,
5 and that mix of programs can change over time. But
6 I think that the biggest takeaway is that the
7 programs have done well; they have opportunities
8 for improvement, and we have been very open to
9 listening to customer and other interested parties'
10 feedback and incorporating that as we go along.

11 I talked today about some of the changes that
12 we've made as a result of feedback that we've
13 gotten, and I would say, in general, we've not been
14 afraid to make changes where they have been
15 warranted. So that's been one of the biggest
16 things.

17 **COMMISSIONER MITCHELL:** Right. And you don't
18 necessarily have to go back to Slide 5. But Slide
19 5 there, where you talk about Home Energy Reports?

20 **FELICIA R. HOWARD [SCE&G]:** Yes.

21 **COMMISSIONER MITCHELL:** You had a comparison
22 there of individual customer usage to peer groups.
23 And then I believe you stated there are customized
24 recommendations on ways to improve energy
25 efficiency. I guess what I'm asking, what does a

1 customer individually see if he's participating in
2 this particular program? He can read how he
3 compares into all the other customers with what
4 he's doing, and then do you get a response back
5 from those individual customers and then you maybe
6 sometimes give them a recommendation about how they
7 can improve? Or tell me exactly how that works.

8 **FELICIA R. HOWARD [SCE&G]:** So, the Home
9 Energy Update that they get on a monthly basis
10 customizes -- the report that the customer receives
11 and the update the customer receives is customized
12 based on the information they provided when they
13 opted into the program. So someone who has a pool
14 doesn't -- well, I'll say someone who doesn't have
15 a pool does not get recommendations about how to
16 improve the efficiency of their pool pump. Someone
17 who has recently installed HVAC equipment does not
18 get recommendations on new HVAC equipment. They
19 may get a recommendation on improving the
20 efficiency of their HVAC equipment, but they won't
21 get a recommendation about new equipment. So we're
22 using the information the customer has told us
23 about their home, about the number of occupants in
24 the home, about the size of the home, the age of
25 the home, in order to customize a report that is

1 just for them, so that -- we've got several folks
2 in our department who participate in the program,
3 and we compare our reports and we all have
4 different recommendations on our reports because
5 we're in all different zones.

6 COMMISSIONER MITCHELL: Right.

7 FELICIA R. HOWARD [SCE&G]: But there is a
8 peer group associated with my report, and everyone
9 else's report, so that the homes that are in my
10 peer group are those that closest match the
11 parameters that I've advised about my home. So if
12 my home is a 1,500-square-foot home, then in my
13 peer group are like-sized homes; in my peer group
14 are homes with a similar number of occupants that I
15 have in my home. And so it's not just a neighbor
16 comparison; this truly is a peer comparison, and
17 there are about 90 folks in each one of those peer
18 groups.

19 We do have customers who will sometimes send
20 us notes, handwritten notes, and mail them in with
21 questions or concerns they have about their report.
22 There are folks inside the company who might drop
23 by and ask you a question --

24 COMMISSIONER MITCHELL: Right.

25 FELICIA R. HOWARD [SCE&G]: -- about their

1 update. So, yeah, we do get feedback from
2 customers about the information and have an
3 opportunity to talk with them one-on-one about the
4 recommendations.

5 On the online portal that I talked about with
6 the My Energy Plan, it lists several
7 recommendations and you can choose from those
8 recommendations those things that you feel like you
9 will implement over time, and it gives you an
10 estimate of the energy savings that you can expect
11 to see, and you kind of can check them off over
12 time that "I've done this," and "I've done that."
13 And you can see how your bill changes in comparison
14 to that peer group over a series of months.

15 **COMMISSIONER MITCHELL:** Well, thank you very
16 much. As has been stated earlier, we're certainly
17 glad to have Ms. Howard, and certainly having Mr.
18 Jackson here, I am certainly glad to have the
19 opportunity to ask him a question.

20 [Laughter]

21 Mr. Jackson, on the carrying costs on the
22 programs, your program costs, that's including the
23 rate rider for recovery from customers? Is that
24 including that? Is that including your rate rider?
25 Or --

1 KENNETH R. JACKSON [SCE&G]: Yes.

2 COMMISSIONER MITCHELL: -- if it is, how much?

3 And --

4 KENNETH R. JACKSON [SCE&G]: The carrying cost
5 is --

6 COMMISSIONER MITCHELL: -- could you give
7 us --

8 KENNETH R. JACKSON [SCE&G]: The carrying cost
9 is included in the costs of the program. That
10 first component that I went through?

11 COMMISSIONER MITCHELL: Right.

12 KENNETH R. JACKSON [SCE&G]: It is included in
13 there.

14 COMMISSIONER MITCHELL: And what exactly was
15 that, that carrying cost?

16 KENNETH R. JACKSON [SCE&G]: Oh, the amount?

17 COMMISSIONER MITCHELL: Yeah. Yeah, I was
18 just making sure I kept up with you on that.

19 KENNETH R. JACKSON [SCE&G]: If you could give
20 me just a minute --

21 COMMISSIONER MITCHELL: Yes, sir.

22 KENNETH R. JACKSON [SCE&G]: -- I think I have
23 that number.

24 COMMISSIONER MITCHELL: I didn't know if you
25 particularly pointed that out.

1 **KENNETH R. JACKSON [SCE&G]:** Yes, it would be
2 included --

3 [Reference: PowerPoint Slide 43]

4 If you look at Exhibit 2, we have a total of
5 \$9½ million of direct costs?

6 **COMMISSIONER MITCHELL:** Right.

7 **KENNETH R. JACKSON [SCE&G]:** \$377,000 is the
8 carrying cost that's in that number.

9 **COMMISSIONER MITCHELL:** Okay, so that's
10 presently carried, and --

11 **KENNETH R. JACKSON [SCE&G]:** Right. That's
12 right.

13 **COMMISSIONER MITCHELL:** -- the company, I
14 assume, plans to do that on into the future?

15 **KENNETH R. JACKSON [SCE&G]:** On into the
16 future, yes. Yes.

17 **COMMISSIONER MITCHELL:** Thank you. That's all
18 I have, Mr. Chairman. Thank you.

19 **CHAIRMAN HOWARD:** Commissioner Whitfield.

20 **COMMISSIONER WHITFIELD:** Thank you, Mr.
21 Chairman. Thank you both, Ms. Howard and Mr.
22 Jackson, for being here, and this excellent
23 presentation, as last year, and I know we've had a
24 full year now. Ms. Howard, I wanted to maybe
25 follow up, I guess, on a question that Commissioner

1 Wright had asked you about marketing the Home
2 Energy Check-Ups. He asked you more about
3 marketing. What I wanted to ask you -- I think you
4 said in your presentation they have been referred
5 to by other names. Previously I know Value Visit
6 was one of them, and I think you said since
7 December you've had 461 check-ups, to date. And I
8 know, with the old Value Visit Program, there was a
9 big goal to increase the participation. Are you
10 finding that's hitting -- well, you're looking at,
11 I guess, four or five months now. Are you finding
12 the increases that you were looking for over the
13 previous programs that you had?

14 **FELICIA R. HOWARD [SCE&G]:** Yes, I think so.
15 After -- subsequent to the Value Visit was the In-
16 Home Energy Consultation, and then the Energy Home
17 -- In-Home Consultation preceded the Home Energy
18 Check-Up, and that's kind of the history of that.
19 We have seen increased participation since the Home
20 Energy Check-Up -- from the In-Home Energy
21 Consultation, through the Home Energy Check-Up in
22 Program Year 1, and then we're at a pace to exceed
23 participation from Program Year 1 in Program Year
24 2, so far.

25 **COMMISSIONER WHITFIELD:** Okay. I want to move

1 to your heating-and-cooling programs. I think you
2 mentioned that you had gone from an online
3 contractor-driven process to a paper-based,
4 customer-driven process, and I think you said that
5 part of the reason for that was customers were
6 wanting to know the status of their application, I
7 think was one of the things you said here a little
8 while ago? Is that right?

9 **FELICIA R. HOWARD [SCE&G]:** Yes. Customers
10 tend to have a different degree of sense of urgency
11 of receiving their rebate and getting the rebate
12 moving through the process, and the contractors'
13 focus is quite different from that.

14 **COMMISSIONER WHITFIELD:** Well, last year you
15 explained the critical role that contractors would
16 have --

17 **FELICIA R. HOWARD [SCE&G]:** Yes.

18 **COMMISSIONER WHITFIELD:** -- in executing this.
19 And I think you said just a little while ago, you
20 had -- if I wrote it down, on that -- 23 new
21 contractors? Is that still -- is that working out
22 the way you thought, now that customers have asked
23 to be more in control, or -- are you still getting
24 the involvement from contractors, I guess is what
25 I'm saying.

1 **FELICIA R. HOWARD [SCE&G]:** I would say so far
2 it's been a win-win for both the contractors and
3 the customers. For the contractors, it has
4 alleviated an administrative burden. So they're in
5 the business of installing equipment, maybe doing
6 audits or whatever the work that they perform is,
7 and so they were willing to take on the
8 administrative burden of the program because it
9 offered an opportunity for them to perhaps reach
10 other customers, and because they were offering a
11 rebate, they were happy to be able to participate
12 in the program because they saw a business
13 opportunity with that. But we've gotten a lot of
14 positive feedback from the contractors about having
15 been alleviated from the burden of the
16 administering the rebate entry process, so a lot of
17 positive feedback from them.

18 From the customer vantage point, it's been a
19 win because the customers are now more in the
20 driver's seat. They know --

21 **COMMISSIONER WHITFIELD:** They know --

22 **FELICIA R. HOWARD [SCE&G]:** If I, you know,
23 take two weeks to submit my rebate application, I'm
24 not kind of, you know, in limbo and I don't know
25 what happened with my application for two weeks. I

1 know that I am the person who didn't send it in for
2 those two weeks.

3 COMMISSIONER WHITFIELD: Right, right. I hear
4 you.

5 FELICIA R. HOWARD [SCE&G]: And I know when
6 that four-to-six-week, you know, clock starts to
7 tick, as opposed to when someone enters it on my
8 behalf, I'm not necessarily sure at what point it
9 got submitted. So, it's been a win-win for -- I
10 don't know if there's such a thing as a win-win-
11 win, but it's been a win for customers, it's been a
12 win for contractors, and it's been a win for SCE&G
13 because we're getting less calls from customers
14 inquiring about, "Where's my rebate check? What's
15 the status of this," or, "the status of that?" And
16 so it's worked out well all the way around.

17 COMMISSIONER WHITFIELD: I can see where
18 you're getting less calls from the customer now,
19 with them -- with that change.

20 FELICIA R. HOWARD [SCE&G]: Yes.

21 COMMISSIONER WHITFIELD: My next question to
22 you is about the ENERGY STAR® New Homes Program. I
23 think you said that 1,200 homes were committed, but
24 I think your exhibit shows that only 250 of those
25 homes were built, which I guess is roughly 20

1 percent. I guess, given the economy being what it
2 is, does that meet your expectations?

3 **FELICIA R. HOWARD [SCE&G]:** Well, last year --
4 you're right, last year we had about -- we had over
5 1,200 homes committed. And when we say "committed"
6 at that time, when builders enroll in the program
7 -- basically they enroll in the program on an
8 annual basis -- they inform us of how many homes
9 they intend to construct to ENERGY STAR® standards.
10 And at that time, we had I think 30-some builders
11 and they committed those 1,200 homes. We
12 discovered that was a very widely optimistic view
13 of the number of homes that they were going to
14 build. And I don't know that I have any insight to
15 offer you about how much the economy played a part,
16 meaning that "We really thought we were going to
17 build those 1,200 homes," and then, you know, some
18 economic variables entered into the picture that
19 caused fewer homes to be built, or if it was simply
20 that they were optimistic and, you know, anxious to
21 claim their place in line for the rebates that our
22 program was offering.

23 This year, we do have a more conservative
24 number from the builders, and they've committed
25 some 900 homes. It's still a lot of -- you know, a

1 big difference between 255 and 900. So I'm looking
2 forward to seeing, you know, how that changes the
3 outcome.

4 **COMMISSIONER WHITFIELD:** Thank you, Ms.
5 Howard. I do have one for you, Mr. Jackson. I
6 appreciate your excellent walk-through on your
7 calculations. Commissioner Hamilton asked you a
8 question about the \$.88 increase and you answered
9 it, and then you went on to say beyond that -- I
10 think you said that you expected that number to go
11 up. And I know this year you've got almost \$20
12 million, \$19 million-and-something in costs for
13 recovery, and you only had about \$7 million last
14 year. Now that you've had a whole year, and I do
15 -- we've had a year to look back, and I do -- of
16 course, we do share the concern for the folks who
17 aren't participating, like Commissioner Hamilton
18 said. But as this goes forward, I know you don't
19 have a great crystal ball, but where do you project
20 this to be? And I realize you're getting some
21 systemwide benefits from the system as a whole.
22 But where do you see this heading in the future?

23 **KENNETH R. JACKSON [SCE&G]:** Well, I do expect
24 the trend upward to continue. Whether it will be
25 as significant as this go-round, I really don't

1 know. I'm just thinking about the programs, when
2 we got them fully implemented in late spring of
3 last year, so we were still -- it really was not a
4 full year at that point for all of the programs.
5 Now, starting with December 2012, and going through
6 November of -- I mean, November of -- December of
7 2012 and going through November of -- I keep
8 getting my dates mixed up -- December 2011 through
9 November of 2012, we'll have a full year of all ten
10 of our programs. And that's why I'm thinking there
11 will continue to be an upward trend. I don't think
12 it will be as significant, because like I said,
13 we've gotten them off the ground, but again, I just
14 don't know how many participants we'll get, going
15 forward. But I do expect the upward trend to
16 continue.

17 **COMMISSIONER WHITFIELD:** Well, you've had a
18 full year, and we look forward to next year and
19 kind of seeing where things are.

20 **KENNETH R. JACKSON [SCE&G]:** Be happy to come
21 back and do it again.

22 **COMMISSIONER WHITFIELD:** Thank you, Mr.
23 Jackson. Thank you all. Thank you, Mr. Chairman.

24 **CHAIRMAN HOWARD:** Commissioner Hall.

25 **COMMISSIONER HALL:** Thank you, sir. Good

1 morning.

2 KENNETH R. JACKSON [SCE&G]: Good morning.

3 COMMISSIONER HALL: Ms. Howard, I wanted to
4 ask you a couple of questions. First, on the
5 advanced -- I guess it's the advanced Energy
6 Information Display, the one that requires the
7 wireless --

8 FELICIA R. HOWARD [SCE&G]: Sure.

9 COMMISSIONER HALL: -- connection? First of
10 all, sign me up.

11 [Laughter]

12 I would love that. You were talking about
13 some of the other utilities are looking to making
14 that free, and I was wondering -- the problem with
15 that is, if you make it free, how do you ensure
16 that people will actually use it? Is there less
17 incentive if it's not something that you pay for,
18 and really no interest in it? I was just
19 wondering.

20 FELICIA R. HOWARD [SCE&G]: Right, and that's
21 one of the concerns that we have. And so that is
22 one of the reasons why we, you know, want to take
23 some time and give it some thought. And one of the
24 reasons why we have a \$40 charge now, and then a
25 \$20 credit, is so that you have some skin in the

1 game and you really will install the device when
2 you receive it. And so, you know, I don't know
3 what the right answer will be, but we will see.

4 We had -- we've done three in the first phase
5 with the AzTech device, and we did have a really
6 high response rate from customers who received the
7 device to install it and to be responsive to our
8 inquiries with them about the experience that they
9 had with the device. So we've done both the free
10 and we've done the charge and a credit. And so,
11 we're looking at, you know, maybe there's an in-
12 between, maybe there's a charge without a credit,
13 because the credit turns out to pose quite a
14 logistics issue when we increase the number of
15 customers participating in the program beyond that
16 250 launch and maybe you have thousands of
17 customers that you've got to manage, because -- you
18 know, Commissioner Mitchell, you asked about what
19 our kind of key takeaways were. Well, one of the
20 things that we've learned is customers don't -- you
21 know, they're not like jumping to install these
22 EIDs the minute it arrives on their doorsteps, so
23 you've got to keep track of when it got installed,
24 and make sure that you apply that credit pretty
25 promptly after you confirm installation of the

1 device, and that's an easier task with 250 than we
2 expect it to be with 2,000. And so that's one of
3 the --

4 **COMMISSIONER HALL:** Someone from the company
5 has to come and install it, or --

6 **FELICIA R. HOWARD [SCE&G]:** No. The customer
7 installs it.

8 **COMMISSIONER HALL:** Uh-huh.

9 **FELICIA R. HOWARD [SCE&G]:** But we are able to
10 determine whether or not it's been installed when
11 they register the device.

12 **COMMISSIONER HALL:** Okay. But it's not
13 difficult to install.

14 **FELICIA R. HOWARD [SCE&G]:** No, no, no. Not
15 at all. Not at all. Not at all. But I guess
16 competing priorities and you might have --
17 sometimes I'm not even sure when I have something
18 sitting on the front of my porch, so --

19 **COMMISSIONER HALL:** Now, about the Low Income
20 Program, I know that's kind of a work-in-progress.
21 Tell me, what are you thinking about in terms of
22 customer eligibility, because, you know, in this
23 economy, we have a lot more of the working poor, I
24 think, and so I was just wondering how -- I know
25 you haven't decided yet, but what you were kind of

1 thinking about with that.

2 **FELICIA R. HOWARD [SCE&G]:** We haven't
3 decided, but it is a dilemma, to identify exactly
4 who is a low-income customer. And one of the
5 variables that is pretty concrete and easy for us
6 to identify is customers who have received lighting
7 funds. So we have a record of that in our customer
8 information system, and that's a very concrete way,
9 to identify customers who have benefited from
10 lighting funds as low-income. So that's one of the
11 scenarios that we are looking at. We understand
12 that it is -- a number of utilities do the same
13 thing, that they use lighting, the receipt of
14 lighting funds, as a way of determining who's low-
15 income. But it is a dilemma.

16 **COMMISSIONER HALL:** Okay. Do you anticipate
17 any additional demand-response or load-control
18 programs in the future?

19 **FELICIA R. HOWARD [SCE&G]:** We haven't looked
20 at any demand-response programs, of course in large
21 part because we, as a company, will be bringing on
22 new generation, and so the demand-response programs
23 obviously are geared at having customers reduce
24 their load during peak-demand periods. We'll have
25 new base-load generation. We have less of a need

1 for that on-peak demand reduction the way maybe
2 other companies do that don't have quite the same
3 kind of mix of generation that SCE&G has. So we
4 have not looked at any demand-response programs in
5 the short term. Not to say that we won't do that
6 in the future, but it's just not a key need at this
7 time.

8 **COMMISSIONER HALL:** Okay. Thank you. Mr.
9 Jackson, I just have one question for you. Has ORS
10 yet conducted the audit of the financial aspects of
11 the company's application?

12 **KENNETH R. JACKSON [SCE&G]:** They are in the
13 process of doing --

14 **COMMISSIONER HALL:** Okay.

15 **KENNETH R. JACKSON [SCE&G]:** -- that now.
16 They're spending a number of weeks with us, but
17 they haven't completed it yet.

18 **COMMISSIONER HALL:** Okay. Okay. Thank you,
19 sir. Thank you, Mr. Chairman.

20 **CHAIRMAN HOWARD:** Commissioner Fleming.

21 **COMMISSIONER FLEMING:** Yes. Good aft- -- good
22 morning, still. I too want to add my appreciation
23 for your report. This has been very informative.
24 I wanted to ask about the Energy Information
25 Display Program. Could you describe some of the

1 feedback that you've received from the people who
2 are using that?

3 **FELICIA R. HOWARD [SCE&G]:** Sure. The
4 feedback has varied widely. So, the more customers
5 are informed about energy and the way their
6 activities influence their energy bill, the way
7 weather influences their energy bill, it appears
8 the greater value they get out of the use of the
9 device. And so that's one of -- our key focus will
10 be on helping customers to be as best educated as
11 possible, to get maximum value out of the device.

12 So some of the feedback that we have gotten
13 has been related to, you know, "This device is nice
14 and I see the numbers changing, but what does it
15 all mean?" So you've got on that end of the scale,
16 and then you've got customers on the opposite end
17 of the scale who know very well and are making good
18 use out of the information on the device, and they
19 want to be able to capture it for some longer
20 period of time to do some further analysis of the
21 information. And then you've got everybody else in
22 between those two kind of bookends.

23 So some of the feedback that we got on the
24 AzTech device -- it's an easy-to-install device --
25 both of them are easy to install. But the AzTech

1 device, you know, the -- none of the -- neither of
2 the devices correspond to your bill. So if you're
3 using -- as a device that will predict your bill,
4 there's been feedback about that, that customers
5 would like for it to be more of that. But devices
6 don't work that way. As you know, there's more
7 than just the kilowatt-hour charge on a bill, so
8 you've got taxes, a base facilities charge, and
9 things of that nature, so that -- and in our case,
10 we have the WNA adjustment, so -- and the device
11 does not monitor gas usage, so will never mirror a
12 customer's bill. So that's some of the feedback
13 we've gotten. That's one of the, I guess,
14 drawbacks of the device, and so we have to take
15 care in educating customers of what to expect from
16 the device, so that they are not expecting it to
17 be, you know, perfectly aligned with their bill.
18 Even if it could be, even if it took into account
19 all of those other things like sales tax, and
20 things of that nature, it may not align perfectly
21 with your billing cycle. So that's one of the --
22 that's some of the feedback that we've gotten about
23 the device.

24 There are customers who received it and, like
25 Commissioner Hall was indicating, there are a few

1 who received it and never installed it, never got
2 around to installing it. And there are those who
3 report that they still look at it on a nearly daily
4 basis, so -- and then there are those in between
5 those bookends. So the feedback has been very
6 varied.

7 **COMMISSIONER FLEMING:** Personality differences
8 play into this, as well. Have you incorporated
9 some of that feedback into your Phase 2?

10 **FELICIA R. HOWARD [SCE&G]:** Yes. Yes. So
11 that was one of the major reasons why we moved to a
12 different device. So the EnergyHub device has more
13 features. It does have the online portal that
14 gives you the opportunity to download information
15 and store information from the device for a longer
16 period of time. The AzTech device had a 30-day
17 storage capacity, so after 30 days you started over
18 again, basically.

19 So we also were fortunate in finding a device
20 that we could send messages to the customer now,
21 through the EnergyHub device, as opposed to with
22 the AzTech device, once the customer receives the
23 device they didn't necessarily -- unless they were,
24 you know, solicited by SCE&G for feedback on their
25 experience with the device, they essentially had no

1 further information. So they weren't receiving
2 additional information about, you know, "Tomorrow
3 is going to be an exceptionally hot day. You may
4 want to be sure that your thermostat is set at 78."
5 And those are the kinds of messages that we'll be
6 able to send with the EnergyHub device.

7 So some of the feedback from customers was,
8 you know, "How do I make the best use of this
9 device?" And we think that the EnergyHub will be
10 able to deliver on that, more so than the Phase 1.

11 **COMMISSIONER FLEMING:** So they really are
12 wanting more information --

13 **FELICIA R. HOWARD [SCE&G]:** Yes.

14 **COMMISSIONER FLEMING:** -- that would be
15 helpful to them.

16 **FELICIA R. HOWARD [SCE&G]:** Yes.

17 **COMMISSIONER FLEMING:** Is the feedback
18 different for residential, as compared to
19 commercial?

20 **FELICIA R. HOWARD [SCE&G]:** It has been. One
21 of the issues that we knew, going into making the
22 AzTech device available to commercial customers, is
23 that they are -- the devices are typically -- our
24 program is called the Energy Information Display
25 Program, which is kind of a more -- a broader

1 naming convention than a lot of programs, because
2 the devices tend to truly be called in-home display
3 devices, and that is what the AzTech device is
4 called, and that is what the EnergyHub device is
5 described as, an in-home display. And so, a home
6 is very different than a commercial operation.
7 There are some commercial businesses that operate
8 in former homes, as you know. And for those type
9 arrangements, the device may work well, but the
10 device has some technical limitations, so a home
11 tends to be smaller than a commercial facility; the
12 metering for a home tends to be located in a place
13 where the device can better communicate with the
14 meter than it may in a commercial establishment.
15 So, for instance, we knew going into making the
16 device available for commercial customers, that if
17 you were in a strip mall and you were at the
18 furthest end of the mall from the SCE&G metering
19 bank, that device would probably not work in your
20 establishment. But if you were the person who was
21 on the opposite side of the wall from the SCE&G
22 meter bank, it might work just fine. So there was
23 some limitation with that.

24 So the commercial customers' experience with
25 the device was different, and so therefore their

1 feedback about the device was different. We also
2 got feedback from some commercial customers that
3 said, "Hey, you know, when my energy usage goes up,
4 that's a good thing because that means I'm doing
5 more business." So they didn't necessarily view
6 saving energy to be as positive a thing as maybe on
7 the residential side.

8 Some commercial customers offered feedback to
9 suggest that they maybe had more limitations with
10 actions that they could take to reduce their energy
11 usage, either because they were not the property
12 owners, they're in leased space, or because there
13 are -- in a home, you may turn up your air
14 conditioner during a certain time of day. A
15 restaurant, for instance, may not have that kind of
16 flexibility. In a commercial establishment, you're
17 unlikely to go around unplugging printers or
18 copiers or things of that nature, where in a
19 residence you might very well go around turning off
20 lights and, you know, turning up your thermostat,
21 and things of that nature.

22 So there was a different experience with the
23 device and a different reaction or different
24 perception in terms of how residential customers
25 and commercial customers could take action based on

1 the information they were receiving from the
2 device.

3 COMMISSIONER FLEMING: And how long did you
4 say the AzTech would keep the information?

5 FELICIA R. HOWARD [SCE&G]: 30 days.

6 COMMISSIONER FLEMING: Just for the day. So
7 they --

8 FELICIA R. HOWARD [SCE&G]: Thirty days.

9 COMMISSIONER FLEMING: Thirty days, Okay. So
10 they could go back and review, though, to see --

11 FELICIA R. HOWARD [SCE&G]: They could go back
12 and review --

13 COMMISSIONER FLEMING: -- if there's a --

14 FELICIA R. HOWARD [SCE&G]: Right, they could
15 go back and --

16 COMMISSIONER FLEMING: -- pattern.

17 FELICIA R. HOWARD [SCE&G]: -- review, yes.

18 COMMISSIONER FLEMING: Okay. But you don't
19 know if they've done that. Well, I'm sure probably
20 some have and some haven't.

21 FELICIA R. HOWARD [SCE&G]: It's a similar
22 story with the commercial, with the residential
23 customers. I mean, there are some commercial
24 customers who did not install the device at all.
25 And there are some who installed it and had

1 favorable remarks about the device. To do a larger
2 launch with commercial customers, because of, you
3 know, the inherent device limitations, it may not
4 be the best solution for commercial customers to
5 monitor their energy usage.

6 COMMISSIONER FLEMING: Okay. Going back to
7 the cost of the meters and whether you charge or
8 not, you have to pay for that.

9 FELICIA R. HOWARD [SCE&G]: Yes.

10 COMMISSIONER FLEMING: So if you don't charge
11 the individual customer, that would probably be put
12 in to all the customers, in the --

13 FELICIA R. HOWARD [SCE&G]: Yes. The way the
14 rider works, yes.

15 COMMISSIONER FLEMING: Yeah. So either the
16 individual is going to pay, or the general customer
17 base will pay.

18 FELICIA R. HOWARD [SCE&G]: Yes, ma'am.

19 COMMISSIONER FLEMING: Okay. And have you all
20 looked into the Green Button initiative?

21 FELICIA R. HOWARD [SCE&G]: I know very little
22 about the Green Button initiative. I've heard
23 about it recently, but I don't know very much about
24 it.

25 COMMISSIONER FLEMING: It sounds like maybe

1 some of the feedback you're getting could be --
2 that this could be an answer to that. I mean, it's
3 an application that you use on your computer, so it
4 would be limited to those with computers, but --

5 **FELICIA R. HOWARD [SCE&G]:** I will certainly
6 look into it.

7 **COMMISSIONER FLEMING:** -- it sounds very
8 promising, from --

9 **FELICIA R. HOWARD [SCE&G]:** I'll certainly
10 look into it.

11 **COMMISSIONER FLEMING:** -- the information we
12 heard at NARUC this time, so -- I think the
13 Department of Energy is in charge of that. And the
14 privacy issue, too, there's not a problem with
15 that, as there has been with some of the other
16 programs. It's just between the customer and the
17 company.

18 **FELICIA R. HOWARD [SCE&G]:** [Nodding head.].

19 **COMMISSIONER FLEMING:** Okay. I wanted to ask
20 you about the number of people that you have stated
21 you anticipated: 4,000 individuals participated in
22 Year 1, and almost 5,000 in Year 2, but only 500
23 received devices in Phase 1, and 252 in Phase 2.
24 What does the forecasted participation come from?

25 **FELICIA R. HOWARD [SCE&G]:** The forecasted

1 participation comes from our modeling that we did
2 with our third party, ICF, when we initially
3 proposed our portfolio of demand-side management
4 programs. So that is where those forecasts come
5 from for participation.

6 The Energy Information Display and programs
7 like it, I would describe as more of emerging
8 technology, as opposed to kind of tried-and-true
9 programs like HVAC Equipment. There is a far
10 different set of variables that come into play with
11 the use of an energy information display than with
12 installing equipment. So if you had inefficient
13 equipment and you installed more efficient
14 equipment, and you continue to have the same kind
15 of operating conditions that you had before -- the
16 same number of home occupants, you set your
17 thermostat on the same temperature, et cetera, et
18 cetera -- you will see a decrease in your energy
19 usage. With the Energy Information Display, one of
20 the reasons that we have been cautious in our
21 launch of the program is -- well, I guess in doing
22 a 250-person launch in Phase 1 and then 250 in
23 Phase 2 -- one of the things we wanted to do was to
24 vet the technology before we got it in the hands of
25 5,000 people, so that -- and it turned out to be a

1 very good idea that we did. Because of the
2 feedback that we got from Phase 1 participants, we
3 were able to roll that into a Phase 2 launch and
4 are in the process of vetting that experience with
5 those customers, with the intention of a broader
6 rollout, so that we can get to numbers more like
7 what you see in our forecasted -- that we forecast
8 in our modeling.

9 **COMMISSIONER FLEMING:** Okay. And the ones
10 that you are going to be adding, that are on the
11 waiting list, will that be considered your Phase 3
12 program?

13 **FELICIA R. HOWARD [SCE&G]:** I would view that
14 to be -- I don't know, maybe it's Phase 2.5.

15 [Laughter]

16 **COMMISSIONER FLEMING:** You're just extending
17 Phase 2.

18 **FELICIA R. HOWARD [SCE&G]:** Right, to more of
19 those customers who wanted to participate in Phase
20 2. We basically solicited the Home Energy Reports
21 customers and advised them that we had 250 devices,
22 so the first 250 to sign up were those who received
23 those devices. So there were 290 folks who
24 indicated that they wanted to receive a device, and
25 we kept in the records of who those folks are, and

1 will make that device available to them when we
2 receive them -- hopefully in April is when we plan
3 to make those devices available to customers who
4 are on the waiting list.

5 But, my expectation is to go beyond those 290
6 on the waiting list and to solicit more customers,
7 like I said, to get to numbers more like what we
8 have forecasted in terms of participation.

9 **COMMISSIONER FLEMING:** And I'm just curious,
10 what does your tune-up entail, as compared to -- so
11 that you're having to educate the contractors?

12 **FELICIA R. HOWARD [SCE&G]:** Well, so tune-ups
13 for contractors vary widely. So a tune-up for a
14 contractor may mean that they are cleaning coils,
15 it may mean that they're changing air filters.
16 With the tune-up protocol that SCE&G is doing,
17 you're actually doing some diagnostics, so you are
18 actually measuring the performance of the equipment
19 and taking before-and-after measurements. And so
20 the tune-up that we are requiring is that it
21 assures that the unit is operating within a certain
22 band of its original operating conditions, which is
23 very different than simply cleaning coils and
24 changing air filters and things of that nature.

25 Now, there are a variety of kind of tune-ups

1 along that spectrum between the low end of cleaning
2 coils and changing air filters, and the high end of
3 what our tune-up requires, but truly our tune-up is
4 designed to bring existing equipment more into the
5 bandwidth of its original and most efficient
6 operating condition.

7 **COMMISSIONER FLEMING:** Well, that sounds very
8 beneficial, as well, to the customer.

9 **FELICIA R. HOWARD [SCE&G]:** Truly.

10 **COMMISSIONER FLEMING:** Okay. And I guess I
11 just want to ask about the audits that ORS is
12 doing. When would you -- when do you expect that
13 to be finished, and will that be brought -- will we
14 get a report on that?

15 **KENNETH R. JACKSON [SCE&G]:** Yes, you will get
16 a report. I'm sure ORS will file that with you,
17 like they did last year. I cannot say for sure
18 when they'll be completed. I think there's a
19 timetable set for them to complete their audit.
20 But they are making a lot of headway, I can tell
21 you that. They've been with us for several weeks.
22 But I can't tell you exactly when I expect that to
23 be completed.

24 **COMMISSIONER FLEMING:** So you anticipate it to
25 be more of a written report than an ex parte?

1 **KENNETH R. JACKSON [SCE&G]:** A written report
2 at this point. I wouldn't want to speak for them,
3 but I'm pretty sure it will be a written report.

4 **COMMISSIONER FLEMING:** Okay. Again, thank you
5 very much.

6 **CHAIRMAN HOWARD:** Commissioner Whitfield.

7 **COMMISSIONER WHITFIELD:** Thank you, Mr.
8 Chairman. Very quickly, Ms. Howard, I want to
9 apologize to you for whispering to Commissioner
10 Hall while you were talking. I saw an
11 organizational chart last year -- and she jogged my
12 memory a little bit. I believe you have some of
13 your staff people out here with you today? Is that
14 who's with you --

15 **FELICIA R. HOWARD [SCE&G]:** Yes.

16 **COMMISSIONER WHITFIELD:** -- in the audience
17 today?

18 **FELICIA R. HOWARD [SCE&G]:** Sure.

19 **COMMISSIONER WHITFIELD:** From your program?

20 **FELICIA R. HOWARD [SCE&G]:** Yes. I'd be happy
21 to ask them to stand. The program managers that --
22 we have five residential program managers and one
23 commercial-and-industrial program manager, and in
24 the back on the left-hand side is our
25 administrative support supervisor, so she handles

1 the rebate processing and the analytics that we do
2 with data tracking.

3 **COMMISSIONER WHITFIELD:** Thank you, ma'am.

4 **FELICIA R. HOWARD [SCE&G]:** Thank you.

5 **CHAIRMAN HOWARD:** I just have a few questions.
6 What percentage of customers, of your total
7 customer base, participates in the programs? The
8 28,000, what is the percentage of that to your
9 total customers?

10 **FELICIA R. HOWARD [SCE&G]:** Well, we have some
11 550,000 residential customers, so in terms of a --
12 we solicited about 300,000 customers to participate
13 in that program, so a little less than 10 percent
14 took us up on the offer.

15 **CHAIRMAN HOWARD:** What about your demographics
16 of your participants?

17 **FELICIA R. HOWARD [SCE&G]:** We are in the
18 early stages of looking at the demographics of
19 those participants. So, it varies by program. So
20 someone who participates in the Home Performance
21 Program may tend to be in an older home, where they
22 may have an opportunity for things like improving
23 their insulation; it may be around that time when
24 they need to be looking at changing out heating-
25 and-cooling equipment or water-heating equipment.

1 That may be a different kind of profile than a
2 customer who is more proactive and wanting to know
3 more about their energy usage, like someone who
4 participates in the Home Energy Reports Program.

5 We've gotten some preliminary information to
6 suggest that the profile of the customers in
7 general that are participating in our demand-side
8 programs mirror the demographics of our customer
9 population in general -- which is a good thing that
10 it's not, you know, lopsided in terms of any
11 particular customer group. But we are in the early
12 stages of that.

13 **CHAIRMAN HOWARD:** Particularly in the
14 residential area, we're concerned about -- or one
15 of the things that come into play is the large
16 percentage of mobile homes --

17 **FELICIA R. HOWARD [SCE&G]:** Sure.

18 **CHAIRMAN HOWARD:** -- that we do have in South
19 Carolina. Do you feel like -- does your study of
20 the demographics show that that's in direct
21 proportion to the amount of mobile homes you have
22 in your --

23 **FELICIA R. HOWARD [SCE&G]:** Yeah. The --

24 **CHAIRMAN HOWARD:** -- program, the percents?

25 **FELICIA R. HOWARD [SCE&G]:** Yeah. Like I

1 said, from the early findings that we have, our
2 program participants look to be similar to our
3 customer demographics in general. I will add that
4 the field reps who perform the Home Energy Check-
5 Ups, if not all of them, the majority of them are
6 certified to do mobile home analysis, as well. So
7 they do have the credentials to do walk-through
8 inspections of mobile homes, as well, and we do
9 perform mobile home Home Energy Check-ups.

10 **CHAIRMAN HOWARD:** What about your
11 participation in geographical areas? Is it more
12 from Charleston and Columbia? Or do you think it's
13 pretty even over your geographical service area?

14 **FELICIA R. HOWARD [SCE&G]:** We find that
15 customers are participating across our service
16 territory, but like the service territory, where
17 the majority of customers are in the Columbia,
18 Charleston, Aiken areas, the majority of people
19 participating in the program are in the Columbia,
20 Charleston, and Aiken areas. But there are
21 customers who participate in some of those outlying
22 areas, as well.

23 **CHAIRMAN HOWARD:** Would the -- I don't know
24 that statistics show it; in my opinion, we've had
25 an extremely mild winter. Do you have a

1 weatherization factor in your models? Or how do
2 you determine what reaction -- what mild weather
3 did in relation to what you were anticipating?

4 **FELICIA R. HOWARD [SCE&G]:** Well, one thing
5 that the -- our model does take into account that.
6 But we will also have feedback from Opinion
7 Dynamics with their EM&V work, that there -- if
8 there's any impact of the weather that we need to
9 take into account in looking at our net energy and
10 demand savings, that will be something that they
11 will be looking at, as well.

12 **CHAIRMAN HOWARD:** If somehow you could
13 translate your energy efficient and DSM programs
14 both into a part of your generation mix, what
15 percentage of your generation mix would you say
16 that factor would comprise?

17 **FELICIA R. HOWARD [SCE&G]:** It's a very small
18 number. It's a very small number. I don't know
19 what that number is, but I know it's low single
20 digits. When we were in our initial application,
21 our expert with ICF I believe testified to the
22 programs across the country, you see somewhere 4
23 percent or lower in terms of impact.

24 **CHAIRMAN HOWARD:** Okay. Thank you, very much.
25 Ms. Dulin, do you have any questions?

1 **MS. DULIN:** No, thank you.

2 **CHAIRMAN HOWARD:** First time in anyone's
3 history that she's never had a question.

4 [Laughter]

5 **MS. DULIN:** It's lunchtime.

6 [Laughter]

7 **CHAIRMAN HOWARD:** Mr. Nelson, I see you
8 writing diligently back there. Does ORS have any
9 questions?

10 **MR. NELSON:** No questions. Thank you, Mr.
11 Chairman.

12 **CHAIRMAN HOWARD:** You don't want to answer
13 about the audit, then, either. You want to avoid
14 it and y'all are just working hard and -- you want
15 to leave it at that?

16 [Laughter]

17 **MR. NELSON:** I would hate to speak for Mr.
18 Jashinsky, so I think I'm better off saying
19 nothing.

20 **CHAIRMAN HOWARD:** Thank you, very much.
21 Again, I would like to thank both of you for a lot
22 of hard work and an interesting presentation. Mr.
23 Gissendanner, do you have anything to add?

24 **MR. GISSENDANNER:** I have no questions.

25 **CHAIRMAN HOWARD:** Mr. Burgess?

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MR. BURGESS: No, Mr. Chairman.


CHAIRMAN HOWARD: Thank y'all again for
coming. Enjoyed the presentation.

[WHEREUPON, at 12:18 p.m., the
proceedings in the above-entitled matter
were adjourned.]


C E R T I F I C A T E

I, Jo Elizabeth M. Wheat, CVR-CM/M-GNSC, do hereby certify that the foregoing is, to the best of my skill and ability, a true and correct transcript of all the proceedings had in an allowable ex parte briefing held in the above-captioned matter before the Public Service Commission of South Carolina.

Given under my hand, this the 18th day of March, 2012.


Jo Elizabeth M. Wheat, CVR-CM-GNSC

ATTEST:


Jocelyn G. Boyd,
CHIEF CLERK/ADMINISTRATOR